

Overberg District Municipality



COST CONTAINMENT POLICY

(August 2019)

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1. DEFINITIONS

In this policy, a word or expression to which a meaning has been assigned in the Act has the same meaning as in the Act, unless the context indicates otherwise, and –

“Act” means the Local Government: Municipal Finance Management Act, 2003 (Act No.56 of 2003)

“catering” means the provisioning of a meal – sit down and dine at sit-down and dine proceedings of Council, but excludes refreshments at other gatherings of Council;

“consultant” means a professional person, individual partnership, corporation, or a company appointed to provide technical and specialist advice or to assist with a design and implementation of projects or to assist the municipality to achieve its objectives of local government in terms of section 152 of the Constitution.

“cost containment” means measures implemented to curtail spending in terms of the Regulations;

“credit card” means a card issued by a financial service provider, which creates a revolving account and grants a line of credit to the cardholder;

“delegated official” means an official with delegated powers to perform duties assigned to the official by the Municipal Manager;

“municipality” means Overberg District Municipality;

“other gatherings of Council” means an assembly or meeting held for a specific purpose;

“personal use” means items or goods that an official or political office bearer does not use for business purposes which is an integral part of the business model;

“proceedings of Council” means an event with a series of activities involving a set procedure for Council;

“professional purposes” means, in the case of communication, the execution of required duties through informed decision making and recordkeeping;

“refreshments” means a light snack and/or drink at other gatherings of Council;

“Regulations” means the Municipal Cost Containment Regulations as per National Treasury Notice 317 of 2019 issued in the Government Gazette No. 42514 dated 7 June 2019.

“social event” means an event with no series of activities involving a set procedure of Council; and

“uniforms” means the required protective and/or branded clothing.

2. LEGISLATIVE FRAMEWORK

This policy must be read in conjunction with the –

2.1 The Local Government: Municipal Finance Management Act 2003 (Act No. 56 of 2003), as well as the Municipal Cost Containment Regulations of 2019;

2.2 MFMA Circular 97 dated 31 July 2019; and

2.3 Travelling and subsistence policy.



3 OBJECTIVES OF THE POLICY

The objectives of this policy are to:

- 3.1 ensure that the resources of the municipality are used effectively, efficiently and economically; and
- 3.2 To implement the Cost Containment Regulations.

4 SCOPE OF THE POLICY

This policy will apply to all:

- 4.1 Political Office Bearers; and
- 4.2 Municipal officials.

GENERAL EXPENDITURE

5. USE OF CONSULTANTS

- 5.1 Consultants may only be appointed after a gap assessment of the needs and requirements have been conducted to confirm that Overberg District Municipality does not have requisite skills or resources in its full time employ to perform the function.
- 5.2 An accounting officer must adopt a fair and reasonable remuneration framework for consultants taking into account the rates -
 - (a) determined in the "Guideline on fees for audits undertaken on behalf of the Auditor-General of South Africa ", issued by the South African Institute of Chartered Accountants;
 - (b) set out in the "Guide on Hourly Fee Rates for Consultants ", issued by the Department of Public Service and Administration; or
 - (c) as prescribed by the body regulating the profession of the consultant.
- 5.3 The tender documentation for the appointment of consultants must include a clause that the remuneration rates will be subject to negotiation, not exceeding the applicable rates mentioned in sub -regulation (2).
- 5.4 When negotiating cost -effective consultancy rates for international consultants, the accounting officer may take into account the relevant international and market -determined rates.
- 5.5 When consultants are appointed the following should be included in the Service Level Agreements:
 - (a) consultants should be appointed on a time and cost basis that has specific start and end dates, preferable;
 - (b) consultants should be appointed on an output-specific, specifying deliverables and the associated remuneration, where practical possible;

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- (c) ensure that cost ceilings are included to specify the contract price as well as whether the contract price is inclusive or exclusive of travel and subsistence disbursements;
- (d) all engagements with consultants should be undertaken in accordance with the municipality's supply chain management policy;
- (e) a clause that deals with skills transfer to the relevant officials; and
- (f) develop consultancy reduction plans to reduce the reliance on consultants.

5.6 All contracts with consultants must include a fee retention or a penalty clause for poor performance.

5.7 The specifications and performance of the service provider must be used as a monitoring tool for the work that is to be undertaken and performance must be appropriately recorded and monitored.

5.8 The travel and subsistence costs of consultants must be in accordance with the national travel policy issued by the National Department of Transport, as updated from time to time.

5.9 The contract price must specify all travel and subsistence costs and if the travel and subsistence costs for appointed consultants are excluded from the contract price, such costs must be reimbursed in accordance with the national travel policy of the National Department of Transport.

6. VEHICLES USED FOR POLITICAL OFFICE BEARERS

- 6.1 The threshold limit for vehicle purchases relating to official use by political office -bearers must not exceed R700 000 or 70% (VAT inclusive) of the total annual remuneration package for the different grades of municipalities, as defined in the Public Office Bearers Act and the notices issued in terms thereof by the Minister of Cooperative Governance and Traditional Affairs, whichever is lower.
- 6.2 The procurement of vehicles in sub -regulation (1) must be undertaken using the national government transversal contract mechanism, unless it may be procured at a lower cost through other procurement mechanisms.
- 6.3 Before deciding to procure a vehicle as contemplated in sub -regulation (2), the accounting officer or delegated official must provide the council with information relating to the following criteria which must be considered:
 - (a) status of current vehicles;
 - (b) affordability of options including whether to procure a vehicle as compared to rental or hire thereof, provided that the most cost-effective option is followed, and the cost is equivalent to or lower than that contemplated in sub -regulation (1);
 - (c) extent of service delivery backlogs;
 - (d) terrain for effective usage of the vehicle; and
 - (e) any other policy of council.
- 6.4 If the rental referred to in sub -regulation (3) is preferred, the accounting officer must review the costs incurred regularly to ensure that value for money is obtained.

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- 6.5 Regardless of their usage, vehicles for official use by political office bearers may only be replaced after completion of 120 000 kilometres.
- 6.6 Notwithstanding sub -regulation (5), a municipality or municipal entity may replace a vehicle for official use by political office bearers before the completion of 120 000km only in instances where the vehicle has a serious mechanical problem and is in a poor condition and subject to obtaining a detailed mechanical report by the vehicle manufacturer or approved dealer.
- 6.7 The Municipal Manager must ensure that there is a policy that addresses the use of municipal vehicles for official purposes.

7. TRAVEL & SUBSISTENCE

- 7.1 The Municipal Manager may only approve the purchase of economy class tickets for air travel.
- 7.2 Notwithstanding 7.1, the Municipal Manager may approve the purchase business class tickets for officials with disabilities.
- 7.3 International travel to meetings or events will only be approved if it is considered critical to attend the meeting or event, and only the officials that are directly involved with the subject matter will be allowed to attend the meeting or event.
- 7.4 The Municipal Manager in the case of officials, the Executive Mayor in the case of the Municipal Manager and Councillors, and the Council in the case of the Executive Mayor, will approve the officials or Councillors who may attend the meetings or events referred to in paragraph 7.3 above.
- 7.5 The municipality and travel agency must use the negotiated rates for flights and accommodation as communicated by National Treasury, from time to time, or any other cheaper flight or accommodation that is available.
- 7.6 The Municipal Manager, or the Executive Mayor in the case of the Municipal Manager, may approve accommodation costs that exceeds an amount as determined from time to time by the National Treasury.
- 7.7 Telephone and/or Video conferencing facilities must be used, where possible, to avoid unnecessary travelling and subsistence costs.

8 DOMESTIC ACCOMMODATION

- 8.1 The Municipal Manager must ensure that costs incurred for domestic accommodation and meals are in accordance with the maximum allowable rates for domestic accommodation (based on 3 star) and meals, as communicated by National Treasury, from time to time, and the travel and subsistence policy of the municipality.
- 8.2 Travel agencies must ensure that rates for domestic accommodation are equal or lower than the rates as determined by National Treasury.
- 8.3 Overnight accommodation may only be booked where the return trip exceeds 500 kilometres.



- 8.4 The Chief Financial Officer may approve overnight accommodation, where the return trip is less than 500 kilometres, in cases where;
 - (a) attendance is required over a number of days (more than one day);
 - (b) there is a risk to the health of official(s) or councillor(s);
 - (c) it is cheaper to stay over;
 - (d) attendance is required before 10:00 the following morning;
 - (e) a road or any other conditions could jeopardise the safety of officials and councillors; or
 - (f) any exceptional circumstances require that an official or councillor must stay over.

9. VEHICLE HIRE

9.1 Employees must consider own fleet first.

9.2 Employees must make use of shuttle services if the cost is below the cost for hiring a vehicle or where an employee claims for kilometres travelled plus parking costs.

9.3 Class B rates car rental will be payable in cases where car rental is appropriate.

9.4 Vehicle travel claims by employees must be restricted to the actual distance travelled.

10 CREDIT CARDS

The Municipal Manager must ensure that no credit card or debit card linked to a bank account of the municipality is issued to any official or public office-bearer. Where officials or public office bearers incur expenditure in relation to official municipal activities, such officials and public office bearers must use their personal credit cards or cash and may request reimbursement from the municipality in terms of the travel and subsistence policy, and petty cash policy.

11 SPONSORSHIPS, EVENTS & CATERING

11.1 The municipality may not incur catering expenses for meetings that are only attended by persons in the employ of the municipality, unless prior written approval is obtained from the Municipal Manager.

11.2 Catering expenses may be incurred by the Municipal Manager for the following, if it exceeds five (5) hours:

- (a) Hosting of meetings;
- (b) Conferences;
- (c) Workshops;



- (d) Courses;
- (e) Forums;
- (f) Recruitment interviews; and
- (g) Council proceedings

11.3 On the day of Council meetings where committee meetings and workshops are held, which exceeds five (5) hours in total, may catering/refreshments be provided.

11.4 No entertainment allowances for officials are allowed. In acceptable cases, entertainment costs may be approved by the Municipal Manager.

11.5 Expenses may not be incurred on alcoholic beverages.

11.6 Social functions, team building exercises, year-end functions, sporting events, budget speech dinners and other functions that have a social element must not be financed from the municipal budget or by any suppliers or sponsors.

11.7 Expenditure may not be incurred on corporate branded items like clothing or goods for personal use of officials, other than uniforms, office supplies and tools of trade, unless the costs thereto are recovered from the affected officials.

11.8 Expenditure may be incurred to host farewell functions in recognition of officials who retire after serving the municipality for ten (10) or more years, or retire on grounds of ill health, the expenditure should not exceed the limits of the petty cash usage as per the petty cash policy of the municipality.

12 COMMUNICATION

12.1 All municipal related events must, as far as possible, be advertised on the municipal website, instead of advertising in magazines or newspapers.

12.2 Publications such as internal newsletters must be designed internally and be published quarterly in an electronic media format and be placed on the municipal website/intranet.

12.3 Newspapers and other related publications for the use of officials and full-time political office bearers must be discontinued on the expiry of existing contracts or supply orders; unless, authorised by the Municipal Manager for officials and the Executive Mayor for full-time political office bearers that is required for professional purposes, or where unavailable in electronic format.

12.4 The acquisition of mobile communication services by using the transversal term contracts that have been arranged by the National Treasury, must be encouraged.

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12.5 Allowances to officials for private calls and data costs for use of personal/private telephones are limited to the amount of R 1000,00 per month and must be approved by the Municipal Manager.

13 CONFERENCES, MEETINGS & STUDY TOURS

13.1 The Municipal Manager must establish policies and procedures to manage applications to attend conferences or events hosted by professional bodies or non-governmental institutions held within and outside the borders of South Africa taking into account their merits and benefits, costs and available alternatives.

13.2 Appropriate benchmark costs may be considered by the Municipal Manager prior to granting approval for an official to attend a conference or event within and outside the borders of South Africa.

13.3 The benchmark costs may not exceed an amount determined by National Treasury.

13.4 When considering applications from officials to conferences or events within and outside the borders of South Africa, the accounting officer must take the following into account:

- (i) The official's role and responsibilities and the anticipated benefits of the conference or event;
- (ii) Whether the conference or event will address the relevant concerns of the municipality;
- (iii) the availability of funds to meet expenses related to the conference or event.
- (iv) The appropriate number of officials or political office bearers, not exceeding one attending the conference or event, or in the case of more than one official attending the conference or event, as approved by the Municipal Manager, or in the case of the more than one political office bearer attending the conference or event, as approved by the Executive Mayor.

13.5 The amount referred to in 13.2 above excludes costs related to travel, accommodation and related expenses, but includes:

- (i) Conference or event registration expenses; and
- (ii) Any other expense incurred in relation to the conference or event.

13.6 When considering costs for conferences and events these may not include items such as laptops, tablets and other similar tokens that are built into the price of such conferences or events.



- 13.7 Attendance of conferences will be limited to one (1) per annum with a maximum of two (2) delegates.
- 13.8 Meetings and planning sessions that entail the use of municipal funds must, as far as practically possible, be held in-house.
- 13.9 Municipal offices and facilities must be utilized for conferences, meetings and strategic planning sessions where an appropriate venue exists within the municipal jurisdiction.
- 13.10 The Municipal Manager must grant the approval for officials, and in the case of political office bearers and the Municipal Manager, the Executive Mayor, as contemplated in paragraph 13.4.
- 13.11 Overberg District Municipality must, where practical possible, take advantage of early registration discounts by granting the required approvals to attend the conference, event or study tour, in advance.
- 13.12 Telephone and/or Video conferencing facilities must be used, where possible, to avoid unnecessary travelling and subsistence costs.

EMPLOYMENT RELATED COSTS

14. OVERTIME

- 14.1 Overtime be limited to minimum hours to resolve the issue
- 14.2 Overtime should be worked by the minimum and lowest ranked officials to resolve the issue.
- 14.3 Planned overtime should be approved by the relevant manager (Director) reporting directly to the Municipal Manager before overtime is worked. Unplanned/emergency overtime should be motivated and approved by the relevant manager (Director) reporting directly to the Municipal Manager, on a monthly basis before overtime is paid.
- 14.4 Authority to work overtime in excess of 40 hours per month, must be obtained from the Municipal Manager prior to the overtime being worked, as this is in contravention of Section 10 of the Basic Conditions of Employment Act (BCEA).
- 14.5 The Director must ensure that planned overtime worked in excess of 40 hours, was authorised by the Municipal Manager prior to the actual overtime being worked.
- 14.6 The core working hours of the employees to be changed to a shift system, where applicable and practical possible, to obviate the need for overtime.
- 14.7 The regulations issued by the Department of Labour, relating to annual salary thresholds within which overtime may be paid, must be adhered to.
- 14.8 Overberg District Municipality may consider providing additional time-off in lieu of payment for overtime worked.



CAPITAL EXPENDITURE

15. COMPUTER / ELECTRONIC EQUIPMENT

Equipment should be shared where practically possible to ensure efficiency.

16. VEHICLES

16.1 The procurement of vehicles must be undertaken using the national government transversal mechanism, where it is in the best interest of the municipality.

16.2 Pool vehicles must be used, where possible, to ensure that vehicles are used optimally.

16.3 A vehicle monitoring system should be encouraged to monitor usage/performance of vehicles in order to curb abuse of municipal vehicles and/or excessive petrol consumption.

OTHER

17. OTHER RELATED EXPENDITURE ITEMS

17.1 All commodities, services and products covered by a transversal contract by the National Treasury must be procured through that transversal contract before approaching the market, in order to benefit from savings and lower prices or rates that have already been negotiated.

17.2 Municipal resources may not be used to fund elections, campaign activities, including the provision of food, clothing and other inducements as part of, or during the election periods.

17.3 Expenditure on tools of trade for political office bearers must be limited to the upper limits as approved and published by the Cabinet member responsible for local government in terms of the remuneration of Public Office Bearers Act, 1998.

17.4 Overberg District Municipality must avoid expenditure on elaborate and expensive office furniture.

17.5 Overberg District Municipality may only use the service of the South African Police Service to conduct periodical or quarterly security threat assessments of political office bearers and key officials and a report must be submitted to the Speaker.

17.6 The Municipal Manager, or where applicable the Executive Mayor, must ensure that due process is followed when suspending or dismissing officials to avoid unnecessary litigation costs.



18. ENFORCEMENT PROCEDURES

Failure to implement or comply with this Policy and the Regulations may result in any official or political office bearer of the municipality that authorised or incurred any expenditure contrary to this Policy and the Regulations being held liable for financial misconduct, or a financial offence in the case of political office bearers as defined in Chapter 15 of the Act read with the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, 2014.

19. DISCLOSURES OF COST CONTAINMENT MEASURES

19.1 The disclosure of cost containment measures applied by the Municipality must be included in the municipal in-year budget reports and annual cost savings disclosed in the annual report.

19.2 The measures implemented and aggregated amounts saved per quarter, together with the regular reports on reprioritisation of cost savings and on the implementation of the cost containment measures must be submitted to the Municipal Council for review and resolution. The Municipal Council can refer such reports to an appropriate Council Committee for further recommendations and actions.

19.3 The reports referred to in paragraph 19.2 above must be copied to the National Treasury and the Western Cape Provincial Treasury within seven calendar days after the report is submitted to the Municipal Council.

20. SHORT TITLE AND COMMENCEMENT

20.1 This policy shall be called the Cost Containment Policy of Overberg District Municipality and take effect when approved by Council.

20.2 This policy must be reviewed annually together with all budget related policies.



EXTRACT FROM THE COUNCIL MINUTES HELD ON 30 SEPTEMBER 2019

Item A1. 30.09.2019

COST CONTAINMENT POLICY

PURPOSE

To submit a report to Council for consideration.

BACKGROUND

On 27 May 2019 Council approved a Cost Containment Policy.

On 7 June 2019 the Minister of Finance issued the Municipal Cost Containment Regulations in the Government Gazette (No. 42514) which became effective as from 1 July 2019. The Regulations apply to all officials and political office bearers in municipalities.

The policy as approved by Council on 27 May 2019 did not comply fully with the Cost Containment Regulations, and therefore the policy have been adjusted to align with the Regulations.

The new Cost Containment Regulations were discussed at the Big Team meeting on 31 July 2019.

On 8 August 2019 MFMA Circular 97 dated 31 July 2019 was received, and the Cost Containment Policy will be adjusted accordingly. Due to the fact that Circular 97 gave/provided clarity and guidance regarding certain sections of the Regulations, the policy will be amended again and be discussed by management. The amended policy will be submitted to the Council meeting on 19 August 2019.

Feedback regarding the background, importance, challenges and impact of the Cost Containment Policy will be provided at the Council meeting.

FINANCIAL IMPLICATIONS

The Cost Containment Policy should reduce operational costs for Overberg District Municipality.

ATTACHMENTS

- Cost containment Policy
- The Cost Containment Regulations of 2019 and MFMA Circular 97 dated 31 July 2019.
- Extract from the Council Minutes held on 19 August 2019 with response on the comments
- Government Gazette

UNANIMOUSLY RESOLVED: (Proposed by Ald A Franken and seconded by Cllr A Klaas)

That the Cost Containment Policy, as amended in accordance with the Cost Containment Regulation approved.